

MEMORANDUM

To Board of Regents
From: Board Office
Subject: Coordinating Amendments to Existing Policy Manual
Date: May 10, 2004

Recommended Actions:

Give final approval immediately to editorial corrections to the Board of Regents Policy Manual so that existing policies conform to the revised committee structure of the Board.

Executive Summary:

Non-substantive editorial corrections need to be implemented in the Board of Regents Policy Manual to ensure that it conforms to the proposed revisions in the Board's committee structure. It is recommended that the Board provide final approval to these corrections at this meeting so they may be implemented immediately.

Background:

Standard revision process takes two Board meetings

Changes are generally proposed to the Policy Manual as a result of editorial review and Regent comments. The revision process involves the Board reviewing proposed changes and additions at one meeting (the "first reading"), commenting on the proposals, and allowing institutional comments to be incorporated, and then providing final Board approval for publication at a subsequent Board meeting.

A recent proposal to the Board of Regents calls for a revision to the Board's committee structure, including disbanding an existing committee and establishing six new committees. Passage of that proposal will result in numerous sections of the Policy Manual being outdated.

Analysis:

Accuracy of the Policy Manual is critical

The Board of Regents Policy Manual establishes policies and procedures related to governance of the Board and its institutions. It is critical that the Policy Manual be accurate.

In the past, the Board operated with a single committee: the Banking Committee. It has been recommended that the Board disband the Banking

committee and establish six new committees.

Editorial corrections required as a result of new committee structure

Establishment of a new committee structure will require that a fairly large number of editorial corrections be made to Chapter 7 of the Board of Regents Policy Manual, "Business Procedures," to ensure that existing policies conform to the revised committee structure.

The traditional practice of the Board has been to review proposed Policy Manual revisions at one board meeting, and then grant final approval to the revisions at a subsequent meeting. This process allowed time for review and comment on the proposed revisions prior to final approval.

Proposed editorial corrections are non-substantive

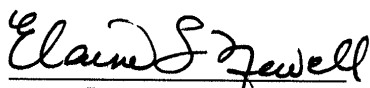
However, the revisions that are the result of the revised committee structure are of a different nature, and the Board office recommends a slightly different approach for them. While the traditional Policy Manual revisions usually deal with substantive changes to Board policy, the revisions being proposed in this docket item are not substantive revisions. They simply correct existing Policy Manual references to reflect the revised committee structure. For example, references to the Banking Committee would be removed.

Only a marked-up version of the corrections is attached

Because there are over 40 of these editorial corrections that need to be made to the Policy Manual, the revisions themselves are not being presented in the traditional docket memo format. That is, this docket memo does not include the current version of each policy with the revisions indicated, as well as a clean copy of the revised policy. If that format had been used, the sheer number of these revisions would have made the docket books too unwieldy for easy use during the remainder of the Board meeting. Consequently, only a marked-up copy of the entire Chapter 7 (with the recommended corrections) is attached to this docket memo. A clean copy of the revised policies is included in the Regents exhibit book.

Recommend that first reading be waived

Given that these revisions are simply editorial corrections that are necessary due to the proposal to revise the Board's committee structure, the Board Office recommends that the Board waive its usual two-step, two-month approval process. It is recommended that a first reading of these editorial corrections be waived, and that the attached corrections to Chapter 7 of the Board of Regents Policy Manual be given final approval at this meeting.


Elaine S. Newell

Approved: 
Gregory S. Nichols

VII. BUSINESS PROCEDURES

7.01 Authority

A business office shall be maintained at each of the institutions of higher learning, with such organizations, powers, and duties as the Board may prescribe and delegate.
(Iowa Code § 262.20)

7.02 General Policies

A. Budgets

1. Budget Process

a. The Board's strategic plan requires it to continue its long-standing practice of seeking state appropriations annually.

1) The chronological appropriations process for the institutions governed by the Board of Regents includes the following:

a) Regent institutions develop institutional appropriation requests based on the established criteria for operating and capital requests.

b) The Board considers preliminary institutional operating appropriations requests at its July meeting.

c) Between July and September, Board Office staff visit the institutions, as necessary, to gather additional information, discuss priorities, and refine the appropriations requests.

d) At its September meeting, the Board approves institutional appropriations requests.

e) By October 1, the Board-approved appropriations requests are submitted to the Governor, as required by law.

f) The Governor prepares state appropriations recommendations, including appropriations recommendations for Regent institutions prior to the legislative session.

g) During the legislative session, the General Assembly and Governor consider and authorize appropriations.

2. Appropriations Request Criteria

a. Operating Requests Criteria

1) Relationship of initiatives to institutional strategic plans.

2) Prior appropriations for similar or connected initiatives.

3) External funding which provides a leverage of state resources.

- 4) Impact of initiatives on state's economic development.
 - 5) Equity among institutions.
 - 6) Accountability.
- b. Capital Requests Criteria
 - 1) Relationship of projects to institutional strategic plans.
 - 2) Priority order of projects in the prior Board-approved five-year plan.
 - 3) Priority ranking of projects as submitted by institutions.
 - 4) Prior appropriations for planning and/or construction.
 - 5) Consistency of the project with the campus master plan.
 - 6) External funding which provides a leverage of state resources.
 - 7) Impact of projects on state's economic development.
 - 8) Equity among institutions.
 - 9) Accountability.
3. Budget Approvals – All institutional budgets are to be approved by the Board.
4. Budget Transfers
 - a. The chief executive officer of each institution is authorized to approve budget transfers and allocations, except those transfers that increase the current approved budget or the budget ceiling or those required by loan agreements and bond resolutions. The exceptions shall be docketed by each institution for Board action, and such action shall be recorded in the Board minutes.
 - b. The chief executive officer of each institution is authorized to approve supplemental budgets which are supported by gifts, grants, and service contracts.
5. Budget Ceilings
 - a. Regent institutions will docket for Board action proposed changes in budget ceilings for General Fund operations and will do so prior to institutional action modifying their obligations.

6. Reallocation Policy

The following represents the key components of the reallocation policy for FY 2005 through FY 2009:

- a. Each institution must reallocate at least 1.0% of its continuing base general fund budget for focused strategic initiatives.
- b. Each initiative must be fully described, similar to initiatives requesting state appropriations or outside funding, and should address the following criteria:
 - 1) Relationship of initiatives to institutional strategic plans.
 - 2) Other proposed funding source requests, such as state appropriations or tuition, for similar or connected initiatives.
 - 3) Benefits associated with initiatives to the institution and/or the state such as:
 - a) Desired outcomes of initiatives
 - b) Potential for enhancement of external funding (leveraging of resources)
 - c) Expected impact on the state's economic development
 - 4) The institution is to describe results/progress of the initiatives funded by reallocations as part of the annual comprehensive fiscal report.
 - 5) The institution would provide a summary, in general terms, from where the reallocated funding was accumulated for these initiatives.

The reallocation policy will be reviewed at least every five years.

B. Collection of Delinquent Accounts

1. Authority: Iowa Code § 262.15 provides that the Board shall have charge of the foreclosure of all mortgages and of all collections from delinquent debtors to said institutions. All actions shall be in the name of the Board of Regents, for the use and benefit of the appropriate institution.
2. A collection policy shall be established at the Regent institutions to ensure responsible fiscal management of receivables. The objectives of the collection policy are to combine both internal and external collection resources in a manner which will maximize collection experience.
3. External collection techniques shall allow the use of independent collection agencies selected through a competitive process.
4. To provide staff with an understanding of collection techniques and a well defined collections process to facilitate effective collection practices, the staff at the institutions will be made familiar with collection policies.
5. Collection policies should be publicized so that obligation to pay and payment procedures are clearly understood. Collection policies concerning students shall be displayed on or at, but not limited to, the following sources:
 - a. Schedule of courses book

- b. Brochures to newly-admitted students
 - c. Pamphlets for off-campus packets
 - d. Points of sale
 - e. Statements mailed each month to students
 - f. Loan and note documents
 - g. University catalog
 - h. Internet web page
6. Collection policies concerning general accounts should be displayed. Electronic posting on an Internet web page is an acceptable option.
 7. The Regent institutions should remain in compliance with: state and federal laws regarding privacy and confidentiality.
 8. In addition to the aforementioned objectives, procedures and collection techniques, each Regent institution shall maintain its own more detailed written policies.
 9. The Regent institutions are encouraged to participate in the state's offset program for collection purposes.
 10. The institutions shall handle their own uncollectible student loans with settlements carried out through statutory procedures. Any changes in current or new policies are to be docketed by the chief business officer for Board action.

C. Indirect Cost Rate

1. The policy of the Board of Regents is to provide services to other state agencies based on contractual agreements that include clearly specified tasks related to the missions of the institutions and established payment for both direct and indirect costs. This policy is consistent with standard management practices and provides equitable support of programs conducted from all sources of funding by institutions under the jurisdiction of the Board of Regents.
2. For federal programs, the provisions of Office of Management and Budget (OMB) Circular A-21 will be followed.

D. Accounting Issues

1. The Board shall direct the expenditure of all appropriations made to the institutions and of any other moneys belonging thereto, but in no event shall the perpetual funds of the Iowa State University of Science and Technology, nor the permanent funds of the State University of Iowa derived under Acts of Congress, be diminished. (Iowa Code § 262.9(7))
2. Iowa Code § 262.23 requires a number of specific items for compliance by the treasurer of each Regent institution. The Business Officers of each institutions shall maintain accounting records and supporting documentation in accordance with accepted business standards for accountability and auditability and shall prepare reports as required, including an annual financial report.

3. All appropriations made payable annually to each of the institutions under the control of the Board of Regents shall be paid in 12 equal monthly installments on the last day of each month on order of the Board. (Iowa Code § 262.28)

E. Payroll Withholding

1. Payroll withholding programs are permitted according to the following guidelines:
 - a. Withholdings authorized by federal or state laws.
 - b. Withholdings in connection with employee retirement and insurance plans approved by the Board of Regents.
 - c. Withholdings authorized by individual employees for institution-wide contributive programs of direct benefit.
 - d. Withholdings authorized by individual employees for United States savings bonds.
 - e. Withholdings for amounts due the institution from and authorized by its employees.
 - f. Withholdings for amounts authorized by individual employees for dues for the convenience of organizations which relate to employment conditions, such as union organizations or university-wide professional organizations. Payroll withholding programs in this category shall not be initiated without 100 participants at Iowa State University and the State University of Iowa, 50 participants at the University of Northern Iowa, and 25 participants at Iowa School for the Deaf and Iowa Braille and Sight Saving School, unless justification exists for fewer participants; payroll programs in this category may be discontinued if the number of participants falls below 25.
 - g. Insurance deductions in accordance with 681 IAC 8.7.
2. Each Regent institution shall require the employee or eligible organization to submit written authorization for payroll withholding for each withholding program, including the assent of the spouse of the employee, as required.
3. The business officers are required to maintain such records as necessary for audit purposes.

F. Reimbursement of Travel Expenses for Employees of Regent Institutions

1. It is the intent of the Board of Regents that employees of Regent institutions be reimbursed for reasonable expenses associated with work-related travel.
2. It is the further intent of the Board that the Regent institutions adopt institutional policies consistent with this statement, along with any other provisions relating to travel reimbursements which are more specific or restrictive.
3. Some travel reimbursements may be taxable. For example, any meal reimbursement not associated with overnight travel is taxable income which must be reported in the next pay period. It is subject to federal and state income tax withholding and Social Security tax payments. Travel advances must be substantiated in a timely fashion (generally within 90 days of completion of travel) or they will be reported as taxable income.

4. Travel expense vouchers should be submitted promptly on return from the trip. Employees will be reimbursed for transportation, lodging, and meals on the following basis:
 - a. The use of state-owned vehicles is encouraged. However, transportation reimbursement for official travel by private automobile when the use of a personal car is authorized by the appropriate institutional official shall be paid at no more than:
 - 1) At a rate of \$.31 per mile, for travel when a motor pool vehicle is not available and the employee must use his/her personal vehicle.
 - 2) At a rate of \$.25 per mile, for travel if a motor pool vehicle is available, but the employee chooses to use his/her own vehicle.
 - 3) At a rate of \$.31 per mile, for travel when an employee chooses to use his/her own vehicle and the round trip is less than 100 miles.
 - 4) At a rate to be determined by the institutions' chief business officer on a case-by-case basis when an individual must use a substantially modified or specially equipped privately owned vehicle.
 - b. Air or rail transportation should be by common carriers. Use of university or chartered aircraft is permitted when advantageous.
 - c. Meals would be reimbursed based on actual and reasonable costs using the following maximum guidelines:

	<u>In-State</u>	<u>Out-of-State</u>
b) Breakfast	\$ 5.00	\$ 8.00
c) Lunch	7.00	12.00
d) Dinner	<u>14.00</u>	<u>20.00</u>
	\$26.00	\$40.00

- d. The individual amounts for each meal would apply only in the case of persons being in travel status for partial days. Otherwise, the total amounts for each day would apply, thus allowing some discretion in adjusting meal allowances within the day.
 - e. Exceptions to these meal standards requested in advance of travel could be accommodated if justified to senior university officials (e.g., vice presidents, business officers, collegiate deans, and major directors of administrative units). Exceptions not authorized in advance of travel may be considered by senior university officials only after careful review and consideration of any unanticipated costs incurred by the university traveler.
 - f. Lodging reimbursement is limited to the actual/reasonable cost for a standard single room. Lodging rates set by Federal regulations will be used as a guide. This rate is reviewed and amended periodically.
5. Reimbursement for Foreign Travel
 - a. Meal and lodging policies and rates approved by the U.S. Department of State are to be followed unless university or granting agency regulations are

more restrictive. For partial days of travel, one-fourth of the rate for a full day will be reimbursed for each six-hour period or the fraction thereof that the employee is in travel status.

- b. The traveler may be reimbursed at more than the standard per diem if approved by authorized university officials. The traveler must provide an explanation of the extenuating circumstances and original receipts supporting all lodging and meal expenditures. Reimbursements in excess of the standard rates will not be approved if prohibited by granting agency regulations.

G. Selection of Employees and Agents Utilized in the Issuance of Bonds or Notes (Iowa Code § 262.9(17) and 681 IAC 8.8)

1. The IAC provides specific guidelines for the open selection process of financial advisors and bond counsel necessary to carry out the issuance of bonds or notes by the Board. Agreements are to provide for annual renewals during a period not to exceed five years.
2. Requests for proposals (RFP) for these services are to be brought before the ~~Board Banking Committee~~. These RFP's will be sent to a list of candidate firms and any other firms the ~~Board Banking Committee~~ wishes to consider.
3. Representatives of the Board Office and the universities will review the submissions received in response to each of the RFP's, and recommend three or four finalist firms to be interviewed by a selection committee. The selection committee will be comprised of representatives of the ~~Board Banking Committee~~, the Board Office, and the universities.
4. The ~~Board Banking Committee~~ will make ~~recommend~~ the final selection of service providers for Board approval.

H. Awards to Private Agencies

Iowa Code § 11.36 requires that Regent institutions, prior to awarding a grant or a purchase of service contract of more than \$150,000 to a private agency, excluding architect/engineering agreements, shall obtain from the auditor of state a certification of the entity's accounting system and an evaluation of its internal controls.

I. Inventory (Moved to Chapter 9 of the Policy Manual except the following paragraph)

1. Pursuant to Iowa Code § 7A.30 , all equipment valued at \$5,000 or more and held for one year or more shall be included in the institution's equipment inventory.
2. Surplus Property Disposal
 - a. Regent institutions and the Board Office have established surplus property disposal procedures to insure items defined as surplus by departments are placed within the institution to the extent feasible.
 - b. Items declared surplus and not placed within the institution or the Board Office may be disposed of in one or more of the following ways:

- 1) Use as a trade in;
 - 2) Transfer to another Regent institution or state agency;
 - 3) Sell to highest bidder after soliciting three or more bids;
 - 4) Auction to the highest bidder;
 - 5) Sell internally through surplus sales open to the public;
 - 6) Dismantle for parts utilization; or
 - 7) Scrap if no other value can be determined.
- c. See Chapter 9 of the Policy Manual for disposal, transfer, or sale of buildings.

7.03 Investment Activity

A. Introduction

The Board of Regents establishes policy and sets objectives for the University of Iowa, Iowa State University, The University of Northern Iowa, Iowa Braille and Sight Saving School, and Iowa School for the Deaf.

The objective of the Board's investment policy is to ensure compliance with investment practices that preserve principal, ensure liquidity sufficient for anticipated needs, and maintain purchasing power of its investable assets.

The Board delegates to its InvestmentBanking Committee the authority for monitoring institutional investment and treasury management practices, for monitoring investment and treasury management performance, and for ensuring compliance with Board policy.

This policy statement identifies the broad investment strategy to be followed in the investment of the assets and any general limitations on the discretion given to the institutions' investment managers (both internal and external). The investment policy contains the Board's objectives of satisfying certain needs for both operating and endowment funds. (I.C. §12B.10)

The institutions under the governance of the Board of Regents and its InvestmentBanking Committee control two broad categories of investments--operating assets and endowment assets, both restricted and unrestricted.

The sources of operating assets are state appropriations, student tuition fees, university sales and services (most notably the University of Iowa Hospitals and Clinics), government and other sponsored research grants, federal appropriations, bond issue proceeds, and other income sources. Operating assets comprise the majority of institutional investments. The balance of institutional investments is endowment assets.

The primary sources of endowment assets are donor gifts and other funds received for specific purposes. Some of the endowment assets are restricted to certain investment types and may also be restricted to certain spending purposes. Different attributes of the institutions' operating and endowment assets lead to differing investment policies.

Restricted funds have externally imposed guidelines for investment. Restricted funds are defined as those funds existing within both the operating and endowment portfolios which are restricted for investment purposes as imposed by contractual or

legal requirements, such as bond indentures, loan or grant agreements, or donor instructions. The restrictions imposed by external donors and funding agencies may both constrain a manager's ability to invest the portfolio assets and may have a corresponding impact on portfolio performance. The investment of sinking funds, bond reserve funds, and bond proceeds shall comply with I.C. §12C.9.

Therefore, the investment performance of restricted funds should be judged in light of these constraints. If this policy and the above restrictions are in conflict, the most restrictive requirements shall apply.

The institutions, and any designated external investment agents, shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in their own affairs. (I.C. §§633.123(1), 262.14(3), and 12B.10(2)). The investment managers are responsible for complying with all provisions contained in this policy. The Board Office is responsible for reviewing investment reports provided by the institutional treasurers, communicating with the InvestmentBanking Committee, and assisting the InvestmentBanking Committee and the Board in meeting its public responsibilities.

B. Authority

The legislature of the State of Iowa delegates to the Board of Regents the authority to govern the University of Iowa, Iowa State University, University of Northern Iowa, Iowa Braille & Sight Saving School, and Iowa School for the Deaf. It is the responsibility of the Board of Regents and its InvestmentBanking Committee to set investment policy in accordance with I.C. Chapter 12B, establish objectives, delegate authority, and ensure that the institutions carry out their responsibilities.

The InvestmentBanking Committee is delegated authority by the Board of Regents for the review of investment and treasury management activities of each institution. The Committee shall ensure that the institutions, through the vice presidents of finance and treasurers, comply with Board policy and perform as can reasonably be expected.

The Board delegates management and oversight authority for the investment program at each institution to the vice president for finance. The Board appoints the treasurers for each institution who are delegated authority by the vice president for finance to operate the investment and treasury management activities of the institution within the policy and procedures defined by the Board of Regents and the respective institution and to perform all related activities as specified in I.C. §262.14(3).

The Auditor of State is responsible for providing auditing services to institutions governed by the Board which include reporting to the Board any non-compliance with investment policy and state law. The Board of Regents is responsible for remedying any non-compliance with its policies and state law. (I.C. §11.2)

C. Risk Tolerance

The treasurers, as well as external investment managers, with input from the investment advisor, are directed to manage the investment portfolios for the use and benefit of the respective institutions in a manner that recognizes the following characteristics in determining the risk tolerance of each portfolio:

1. Exposure to purchasing power risk
2. Regulatory and legal considerations
3. Liquidity requirements
4. Need for income stability

5. Return objectives
6. Investment time horizon

The institutions are directed to maintain security safe-keeping controls and internal controls to prevent losses.

D. **Asset Class Objectives**

1. The purpose of cash equivalent investments (defined as those securities maturing within one year) is to provide liquidity and preserve capital.
2. The purpose of fixed income investments (defined as those securities with maturities greater than one year) is to provide stability and generate income.
3. The purpose of equity investments is primarily to provide capital appreciation. It is recognized that this requires the assumption of greater market variability and risk than is the case with fixed income investments.
4. The overall objective is for the asset classes to work in concert to manage market fluctuations and their impact on the value of the portfolio.
5. Individual asset class performance will be measured in the short-term and long-term against applicable component benchmarks.

E. **Operating Funds Investment Guidelines**

1. Overview

For investment purposes, operating funds are defined as those general use and restricted funds not included in the institutions' endowment portfolio. The operating portfolio shall consist of investments which are needed to meet underlying cash requirements of the institutions.

2. Fund Objectives

The primary goals of investment prudence shall be based in the following order of priority (I.C. §12B.10):

- a. Safety of principal.
- b. Maintaining the necessary liquidity to match expected liabilities.
- c. Obtaining a reasonable return.

The operating portfolio shall be managed to ensure funds are available to support operational needs.

3. General Restrictions and Other Provisions

- a. The operating portfolio shall not be invested in securities that at the time of purchase have effective maturities exceeding sixty-three months. (I.C. §12B.10.6.d.4) The effective maturity shall be defined as weighted average life.
- b. The maximum duration of each institution's operating portfolio shall not exceed the duration of the Merrill 1-3 year Government/Corporate Index by more than 20%.
- c. The weighted average credit quality of each institution's operating portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's, respectively.
- d. UP to 20 percent of each institution's operating portfolio may be invested in bonds rated A and BBB in order to enhance portfolio yield. Any bonds downgraded below investment grade subsequent to purchase shall be reviewed in accordance with section I, Performance Evaluation Standards, of this policy statement.
- e. Short sales, purchase of private placements (other than Rule 144A Fixed Income Securities), stock index and interest rate futures, purchases of securities on margin credit, purchase of options or investments in commodities or transactions of a similar nature are not authorized investments unless undertaken by an open-end management company or the Common Fund for Non-Profit Organizations.
- f. There shall be no borrowing for investment purposes.
- g. Diversification by the number of individual securities, industry, economic sector, and within governmental issues is viewed as desirable.
- h. Except for Treasury or Agency debentures, pass-throughs or REIMICs, no more than 5% of the portfolio shall be invested in securities of a single issuer.
- i. Any gift accepted by the Board of Regents for the use and benefit of any institution under its control may be invested in securities designated by the donor; but whenever such gifts are accepted and the money invested according to the request of the said donor, neither the state, the Board of Regents, nor any member thereof, shall be liable therefore or on account thereof.
- j. The institutions may charge a reasonable management fee to offset expenses.

4. Authorized Investments (I.C. §§12B.10.6d and 12B.10A.4d)
 - a. Obligations of the United States government, its agencies and instrumentalities.
 - b. Certificates of deposit and other evidences of deposit at federally insured depository institutions approved pursuant to I.C. Chapter 12C.
 - c. Prime bankers' acceptances that mature within two hundred seventy days and that are eligible for purchase by a federal reserve bank, provided that at the time of purchase no more than thirty percent of the investment portfolio shall be in investments authorized by this paragraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
 - d. Commercial paper or other short-term corporate debt that matures within two hundred seventy days that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the Superintendent of Banking by rule adopted pursuant to chapter 17A, provided that at the time of purchase no more than five percent of all amounts invested in commercial paper and other short-term corporate debt shall be invested in paper and debt rated in the second highest classification, and provided further that at the time of purchase no more than thirty percent of the investment portfolio shall be in investments authorized by this paragraph and that at the time of purchase no more than five percent of the investment portfolio shall be invested in the securities of a single issuer.
 - e. Repurchase agreements whose underlying collateral consists of the investments set out in paragraphs "a" through "d" if the treasurer of the institution takes delivery of the collateral either directly or through an authorized custodian. Repurchase agreements do not include reverse repurchase agreements.
 - f. Investments authorized for the Iowa Public Employee Retirement System, not otherwise restricted in this policy, in section 97B.7A.
 - g. Corporate debt with a maturity of greater than 270 days that is rated investment grade by Standards & Poor's or Moody's (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities that are deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase. Rule 144A was introduced by the SEC to allow corporations to place securities privately with large sophisticated institutional investors without extensive registration documents.
 - h. External investment managers overseeing operating portfolio funds may purchase mortgage pass-through securities and asset-backed securities that are issued by U.S. government agencies or carry an A rating at the time of purchase from Standard & Poor's or its equivalent as defined by Moody's or another Nationally Recognized Statistical Rating Organization (NRSRO).
 - i. "Yankee" bonds – dollar-denominated bonds issued in the U.S. by foreign corporations, banks, and governments that meet the credit quality guidelines outlined in this policy.
 - j. An open-end management investment company organized in trust form registered with the federal Securities and Exchange Commission under the

federal Investment Company Act of 1940, 15 U.S.C. Section 80(a), and operated in accordance with 17 C.F.R. Section 270, 2a-7.

- k. Shares issued by open-end management investment companies and exchange traded funds registered with the federal Securities and Exchange Commission and whose investments are limited to those set forth in sections a through j above.

- l. The Common Fund for Non-Profit Organizations.

5. Asset Guidelines

The Merrill Lynch 1-3 Year Government / Corporate Index will be the benchmark for the portion of operating funds under external management.

F. Endowment Funds Investment Guidelines

1. Overview

The endowment funds of the institutions, in recognition of their long-term charters, shall be managed with the intention of obtaining the highest possible total return (current income plus net realized and unrealized appreciation), while adhering to the Investment Policy set by the Board. The real value of the endowment funds should be preserved over time; that is, a sufficient portion of total return should be reinvested on average over time to keep pace with cost increases or to sustain program objectives.

The endowment income should be sufficient to meet the reasonable spending needs of the various endowment funds. These funds should be invested in an Endowment Portfolio consisting of authorized investments defined in this policy statement.

The Board endorses a long-term approach to managing the endowment assets but believes this should not be viewed as justification for exposing the endowment assets to levels of volatility that might significantly affect the principal value of the endowments.

Quasi-endowment funds are similar to endowment funds; however, there is no externally imposed restriction that the principal remain intact in perpetuity. The different attributes of the quasi-endowment fund may lead to a different asset allocation than the endowment. Therefore, individual quasi-endowment funds may be invested in either the endowment portfolio, a fixed income portfolio, or some combination thereof.

Notwithstanding the potential difference in asset allocation, it is the Board's intention to manage the quasi-endowment funds in accordance with the restrictions and authorized investments outlined below for the endowment funds.

2. Fund Objectives

- a. In recognition of their long-term charters, these funds shall be managed actively with the intention of obtaining the highest possible total return (current income plus a net realized and unrealized appreciation) while accepting only prudent risk.
- b. These funds shall be managed to maintain and preserve over time the real (i.e., net of inflation) value of the funds.

- c. Investment policy must be integrated with the spending policy of the endowment fund. The purpose of the spending rate formula is to provide a stable income stream that keeps pace with inflation and does not degrade the real value of the corpus of the endowment over time. The spending formula and spending rate for the endowment will be periodically reviewed by the InvestmentBanking Committee. Spending policies shall be in accordance with the Uniform Management of Institutional Funds Act, I.C. 540A.
- d. The fund shall consist of a prudent, diversified investment portfolio.

3. General Restrictions and Other Provisions

- a. Short sales, purchase of private placements (other than Rule 144A Fixed Income Securities), stock index and interest rate futures, purchases of securities on margin credit, purchase of options or investments in commodities or transactions of a similar nature are not authorized investments unless undertaken by an open-end management company, the Common Fund for Non-Profit Organizations as specifically noted in this policy.
- b. There shall be no borrowing for investment purposes.
- c. Diversification by the number of individual securities, industry, economic sector, and within governmental issues is viewed as desirable.
- d. The following restrictions shall apply to each individual endowment portfolio and shall be measured by the total market value of each endowment:
 - 1) Except for Treasury or Agency debentures, pass-through or REIMCs, no more than 5% of the portfolio shall be invested in securities of a single issuer.
 - 2) No more than ten percent of any outstanding issue shall be held.
 - 3) No more than five percent of the portfolio shall be invested in initial common stock offerings sold to the public within the prior 12 months.
 - 4) No more than one percent of the portfolio shall be invested in any initial offering of common stock.
 - 5) Common and preferred stocks and convertible bonds shall not normally comprise more than 70 percent of the total value of all endowment funds.
 - 6) No more than ten percent of the portfolio shall be invested in an international equities fund, as specified by the Board.
- e. Notwithstanding the above general restrictions and the following list of authorized investments, it is the intent of the Board that portfolios be broadly diversified. The approach to investment shall be disciplined and consistent over time and among asset classes. Allocations among asset classes shall be modified or new classes or investment strategies added when such actions are expected to produce incremental returns, to reduce risk, or both. Opportunities for specific investments requiring changes in investment restrictions will be considered when consistent with overall policy and will be subject to evaluation by institutional treasurers and to approval of the Board of Regents based upon the recommendations of the InvestmentBanking Committee and Board Office.

- f. Notwithstanding provision 3.a above, the InvestmentBanking Committee may authorize covered call writing and the use of stock index and interest rate futures and options for endowment purposes only. A decision to authorize these derivative instruments shall be for particular and limited purposes and shall be justified in writing. Authorized derivative instruments are to be used exclusively for hedging purposes and not for speculative designs.
 - g. The institutions may continue to hold in their endowment funds any gifts-in-kind where it is prudent to do so, without regard to the following list of authorized investments. I.C. §§262.14.4 and 633.123.2-4). Gifts accompanied by donor instructions to purchase an unauthorized investment are allowed if the investment is carefully evaluated as to its investment merit by the institution and if notice of such investment is provided immediately to the Executive Director of the Board and the InvestmentBanking Committee. Unrestricted gifts to endowments shall be incorporated into the asset allocation outlined under this policy statement as soon as is practical.
 - h. The institutions may charge a reasonable fee to offset management and other donor related expenses.
 - i. Exceptions to the restrictions noted above may occur when stocks or bonds are donated to the endowment funds or as a result of significant price movements in the market or in a particular issue. The Executive Director of the Board and InvestmentBanking Committee shall be informed immediately of any exception.
4. Authorized Investments
- a. All investments designated as qualified investments for the institutions' operating portfolios as defined in section E.4 of this policy.
 - b. Domestic Equities.
 - 1) Stocks of companies listed on the New York Stock Exchange, American Stock Exchange, or National Association of Security Dealers Automatic Quotation System. ADRs existing prior to 1984 are exempt in accordance with SEC rules.
 - 2) Real Estate Investment Trusts listed on the New York Stock Exchange, American Stock Exchange, or National Association of Security Dealers Automatic Quotation System.
 - 3) New issues of high quality common stock registered with the Securities and Exchange Commission.

c. International Equities.

- 1) The restrictions on the purchase of domestic equities for the endowment portfolio do not apply to international equities.
- 2) The Fund Manager is responsible for maintaining the character of the portfolio in accordance with the investment guidelines, as stipulated in the agreement between the University and the Manager, and the following:
 - a). The Fund Manager shall invest only in developed market countries that are included in the MSCI World ex-US Index.
 - b) The Fund Manager may engage in currency hedging transactions in so far as the transactions shall be for investment not speculative purposes, and intended only to protect expected earnings.
- 3) Exceptions to this approach must be approved in advance by the Investment Banking Committee, noted in the Committee minutes, and provided in writing to the Fund Manager and the university treasurers.

d. Fixed Income.

- 1) Investment grade corporate bonds. Investment grade bonds are defined as being those rated at or better than BBB ("regarded as having an adequate capacity to pay interest/dividends and repay principal") as defined by Standard and Poor's or its equivalent by Moody's or another Nationally Recognized Statistical Rating Organization. Up to 20 percent of the total endowment fixed income allocation may be invested in bonds rated A and BBB in order to enhance portfolio yield. Any bonds downgraded below investment grade subsequent to purchase shall be reviewed in accordance with section I, Performance Evaluation Standards, of this policy statement.
- 2) Zero-coupon securities otherwise authorized in this policy.
- 3) Convertibles – corporate bonds that can be exchanged, at the option of the holder, for a specific number of shares of the company's preferred stock or common stock.
- 4) There is no explicit limit on the average maturity of fixed income securities in the endowment portfolios. The effective duration of each fixed income portfolio shall be within a range of plus or minus 25% of the duration for that portfolio's established benchmark.
- 5) The weighted average credit quality of each institution's endowment fixed income portfolio shall be AA or Aa as rated by Standard & Poor's or Moody's respectively.

e. Mutual funds/exchange traded fund

Shares issued by open-end management investment companies and exchange traded funds registered with the federal Securities and Exchange Commission and whose investments are limited to those set forth in sections a through d above.

5. Asset Allocation Guidelines

The allocation ranges shown below are intended to serve as a guide to the individual institutions in formulating asset mixes for their portfolios and may in the future be changed.

<u>Asset Class</u>	<u>Target</u>	<u>Allowable Range</u>	<u>Benchmark</u>
U.S Equities	63%	58-68%	Wilshire 5000
Large Cap Core	35	30-40	S&P 500 Index
Large Cap Index	13	10-16	S&P 500 Index
Mid Cap Growth	10	8-12	Russell 2500 Growth
Small Cap Value	5	3-7	Russell 2500 Value
U.S. Bonds	30%	25-35%	
Core	30	25-35	Lehman Aggregate
International Equities	7%	4-10%	MSCI EAFE
Other *	0%	0-15%	

* Other asset classes to be added in the future.

The treasurers shall rebalance to the established targets during the quarter following the quarter ended whenever the asset class allocation falls outside of the allowable range specified above.

G. Selection of External Providers

Preference shall be given to purchasing services from Iowa based businesses if the bids submitted therefore are comparable in price to bids submitted by out-of-state businesses and otherwise meet the required specifications. (A.I.C. 681-8.1(1)a) Selections shall be made in a manner that will enhance the economy of this state, and in particular, will result in increased employment of the residents of this state.

1. Investment Advisor

Selection of external Investment Advisors shall take place in accordance with (Policy Manual Section 7.05.E.8), Professional Service Contracts. For the Investment Advisor, a competitive Request for Proposal (RFP) process shall occur no less than every five years.

2. External Investment Managers

The institutions may employ and discharge, subject to approval by the ~~Investment Banking~~ Investment Committee and the Board, external managers to assist in the management of endowment and operating assets. This may be done to provide the institutions with the benefit of external managers' special skills and diverse investment thinking. The external managers should supplement the internal investment management resources of the institutions. The external managers are under no obligation to consider the strategy or tactics of any other manager in reaching decisions for the assets assigned to them. Each manager is to be judged on the basis of individual performance relative to the guidelines contained in this policy.

3. Brokerage Firms

The institutions shall have the discretion to execute transactions with brokerage firms approved by the InvestmentBanking Committee and the Board. Selection of brokerage firms shall be based on the quality of execution rendered, the value of research information provided, the financial health of the brokerage firm, the general business integrity of the firm, the cost of services and the overall efficiency in transacting business. After a brokerage firm is approved by the Board, the InvestmentBanking Committee shall be notified if any of the above factors change and the institution no longer wants to execute transactions through that firm.

4. Public Fund Custodial Agreements

The institutions under the control of the Board of Regents shall utilize public funds custodial agreements in compliance with rules promulgated by the Treasurer of State under I.C. §12B.10C and A.I.C 781— 15.

H. Execution of Transactions

Execution of transactions will seek to achieve a balance between reduction of commission costs and "best price."

The institutions shall not do business with any brokerage firm that mandates binding arbitration as the only recourse for settlement of a disputed claim.

The institutions and the brokers with whom they execute transactions shall exercise their best efforts in minimizing transaction costs and market impact while achieving executions at competitive prices.

The institutions shall regularly solicit competitive bids from two or more brokers before executing transactions, and shall require that the brokers provide confirmations of trades to the treasurers except in the following circumstances:

- a. The security is a new offering of direct obligations of the U.S. government or agencies of the U.S. government.
- b. The security is maturing within one year from the purchase date.
- c. It is deemed in the best interest of the institution and is approved in writing by the Treasurer or Vice President for Finance, i.e. where timing or placement is a concern and additional solicitation would likely have a detrimental effect or loss of opportunity.

I. External Investment Managers

With the assistance of the Board's investment advisor and the Board Office, the institutions shall be responsible for evaluating and selecting external managers as the need arises, subject to InvestmentBanking Committee and Board approval. The InvestmentBanking Committee shall be offered an opportunity to participate in the interview and selection of external managers.

Any written agreement executed between an institution and external manager shall be reviewed by the Board Office.

It is the Board's desire that each manager clearly understand the role of investment policy. Each manager shall communicate individual portfolio strategy and performance results to the respective institution and to the InvestmentBanking Committee.

Additional protocols applying to external investment managers are as follows:

- a. The investment managers may, within policies and guidelines determined by the InvestmentBanking Committee and the institution and approved by

the Board, have full discretion to buy, sell, invest and reinvest in investment assets on behalf of the institutions, or only be granted advisory authority.

- b. Specific guidelines for each manager on the selection and use of appropriate investments shall be incorporated in the investment manager agreement. Guidelines and standards will be developed for each manager, and will be subject to periodic review with each investment manager to confirm their continuing adequacy.
- c. Any fundamental amendments in strategy will be discussed among the Investment Banking Committee, Board Office, the institutions and the external managers prior to implementation.
- d. The institutions will inform the investment managers as soon as practical of anticipated major additions to or withdrawals from the portfolio. Routine additions to and withdrawals from the portfolio will be reported by the institutions to the managers. The managers will be free to determine the most appropriate use of cash and securities additions within the established guidelines and will similarly determine the most appropriate manner in which to raise cash for withdrawals. Monthly accounting statements and investment reviews will be provided to the institutions by the external managers.
- e. The Investment Banking Committee and the institutions intend to maintain open communication with the external investment managers. The focus of these exchanges will be to understand the managers' expectations for the economy and capital markets and how these are reflected in the portfolio. A necessary part of the communication process is the evaluation of the progress of the portfolio, and to this end, investment results will be reviewed quarterly.
- f. Any extraordinary losses or conditions which could reasonably be expected to lead to an extraordinary loss or any violation of the policies set forth above shall be reported immediately by the investment manager to the institutional officers and Board Office.
- g. Analysis of performance will be within the context of the manager's particular investment objectives as determined by the institution and the Investment Banking Committee.
- h. All contracts or agreements with an investment entity or investment professional employed by an institution governed by the Board of Regents shall require the investment entity or investment professional employed by an institution governed by the Board of Regents to notify in writing the Board of Regents within thirty days of receipt of all communications from an independent auditor or the Auditor of State or any regulatory authority of the existence of a material weakness in internal control structure, or regulatory orders or sanctions against the investment entity or investment professional, with regard to the type of services being performed under the contracts or agreements. This provision shall not be limited or voided by another contractual provision. (I.C. §11.2)

J. Performance Evaluation Standards

Analysis of performance will always be within the context of the prevailing investment environment. Specific performance indices will be selected for each institution's operating assets and endowment assets, and incorporated into the investment guideline statements prepared for each institution. The investment performance of the institutional portfolios will be evaluated relative to, and be expected to exceed, the following standards:

For all portfolios:

1. Each investment manager strategy will be evaluated against the established benchmark for that component asset class.
2. The entire portfolio return will be evaluated against a weighted average benchmark using the strategic asset allocation within this policy statement.

The aspects of each manager relationship will be monitored through frequent oral and written contacts by each manager and through quarterly performance evaluations. Qualitative assessments will focus on organizational and staff stability, adherence to investment philosophy and process, asset/client turnover, and the quality of client service.

A significant and potentially adverse event related to, but not limited to, any of the following qualitative issues or events will generally cause the outside manager to be reviewed, depending on the impact of the event or issue:

- A significant change in firm ownership and/or structure.
- The loss of one or several key personnel.
- A significant loss of clients and/or assets under management.
- A profound shift in the firm's philosophy or process.
- A significant and persistent lack of responsiveness to client requests.
- A change in the Board's asset allocation which eliminates the need for a particular manager's investment style or strategy.
- Chronic violations of the investment guidelines outlined in this Policy Statement.

The Investment Advisor and each Investment Manager are responsible for monitoring and reporting on any qualitative issues.

K. Reporting Requirements

1. Extraordinary Losses and Policy Violations

Any extraordinary losses or conditions which could reasonably be expected to lead to an extraordinary loss or substantial violation of the Board's investment policies shall be reported immediately by:

- a. External investment managers to the institutional officers and Board Office.
- b. The Executive Director of the Board shall consult immediately with the Chair of the Investment Banking Committee and the Board President.

In such cases, the institutions and the Board Office, in consultation with the investment advisor, shall recommend corrective action to avoid imminent losses, to prevent further losses, or to correct a substantial policy violation. The resolution of the issue shall be the express responsibility of the institutional treasurers, vice presidents for finance, with the active consultation and consent of the Executive

Director of the Board, the Chair of the InvestmentBanking Committee and the Board President.

Issues of losses or imminent losses shall be addressed and shall progress toward speedy resolution as soon as practicable. Policy violations shall be addressed immediately and a process initiated to resolve the violation.

2. Institutions

The vice presidents for finance and treasurers shall prepare reports on all internally invested funds no less frequently than quarterly.

The report format developed by the Board Office and institutional treasurers shall contain information requested by the InvestmentBanking Committee.

More detailed investment policies and procedures adopted by individual institutions shall be submitted to the InvestmentBanking Committee for review and approval.

3. Internal Auditor

The internal auditor of each institution shall quarterly review and report on compliance with the Board of Regents investment policy and periodically assess internal controls over investments.

4. Investment Advisor

The Board's investment advisor will present annually to the InvestmentBanking Committee a comprehensive evaluation of the performance of the Board's external portfolio managers. The investment advisor's evaluation will include, at a minimum, all of the elements listed above for the investment managers' quarterly reports, as well as evaluations of the managers' performance including comparisons to performance of relevant market segment indices. The review will contain specific recommendations by the investment advisor with regard to maintaining or modifying investment strategies, and asset allocation, and continuing or terminating contracts with portfolio managers.

The Board's investment advisor shall prepare reports on all invested funds no less frequently than quarterly and collaborate as needed with the vice president for finance and treasurer of each institution and the Board Office regarding any changes required to the report content or format. The report format developed by the Board Office and institutional treasurers shall contain information requested by the InvestmentBanking Committee. The objective of the reports shall be to assist the Banking Committee in assessing the performance of each institution's portfolios.

5. External Investment Managers

The managers will be expected to meet with the InvestmentBanking Committee, Board Office and institutional representatives annually or upon request to review the investment outlook, structure of their portfolios and past results. At a minimum, the review will include:

- a. A review of the investment results achieved over recent time periods such as the prior quarter and year in relation to the managers' investment views and internal policies in effect prior to, and during the periods;
- b. The managers' current outlook for the economy and capital markets over the next 6-12 months;

- c. The internal investment policies that have been adopted in response to these expectations;
- d. The appropriateness of the present portfolio given the expectations and internal policy;
- e. A review of the guidelines given to the investment manager to determine if changes are necessary.
- f. Any substantive changes expected in the portfolio or in the organization prior to the next review setting.
- g. The amount of funds authorized for investment by the manager.

L. Policy Review

These policies are approved by the Board of Regents and are effective upon Board approval, and are provided to the president, vice president for finance, treasurer and other appropriate officials at each institution. It is the intention of the Board to review these policies formally with the vice presidents for finance/ treasurers, investment advisor, and any external managers annually to reaffirm their relevancy or revise them as appropriate. Board members, the Investment Banking Committee and the institutions may suggest revisions as changes are warranted.

7.04 Financing

A. Mortgages and Loans

1. The Board of Regents may invest funds belonging to the institutions under its jurisdiction, subject to Iowa Code § 262.14, 633 IAC.123A, and the investment policies adopted by the Board through the use of mortgages and loans.
2. The Board shall have charge of the foreclosure of all mortgages and of all collections from delinquent debtors to the institutions under its jurisdiction. All actions shall be in the name of the Board of Regents, for the use and benefit of the appropriate institution. (Iowa Code § 262.15)
3. When loans are paid, the Board shall release mortgages securing the same. (Iowa Code § 262.16)
4. In case of a sale upon execution, the premises may be bid off in the name of the Board of Regents for the benefit of the institution to which the loan belongs. (Iowa Code § 262.17)
5. Deeds for premises so acquired shall be held for the benefit of the appropriate institution and such lands shall be subject to lease or sale the same as other lands. (Iowa Code § 262.18)
6. No lapse of time shall be a bar to any action to recover on any loan made on behalf of any institution. (Iowa Code § 262.19)

B. Lease Financing of Equipment and Facilities

1. Upon the recommendation of the chief business officer of an institution the executive director may execute lease agreements on behalf of the institution with a third-party leasing agent with which the Board has approved master lease

documents and when outstanding leasing is within dollar allocation amounts set by the Board.

- Master lease drawdowns shall be reported to the Board's ~~Banking Committee~~ at its next meeting following the drawdown.
2. Vendor installment purchase agreements may be executed by the chief business officer of an institution under the delegated purchasing authority as outline in Section 7.05, Purchasing, subject to the provisions below:
 - a. Vendor installment purchase agreements with a total value of greater than \$250,000 for the universities and \$25,000 for the special schools shall be approved by the executive director and reported to the ~~Board Banking Committee~~ at its next meeting following the agreement date.
 - b. All vendor installment purchase agreements of \$50,000 or more shall be reported to the legislative fiscal bureau as required by Iowa Code § 8.46.
 - c. Vendor installment purchase agreements shall meet all other standards pertaining to purchasing, including obtaining cash price quotes, and shall be evaluated against the relative economics of a cash purchase, the Board's Master Lease Agreement and other third-party leases.
 3. True leases of equipment where ultimate ownership of the equipment is not intended, other than through the future exercise of an option to purchase, may be executed by the chief business officer or designee of an institution under the delegated purchasing authority.

C. Parietal Rules and Dormitories

1. Students may choose to live in university residence halls, university apartments, fraternities, sororities, or off-campus housing.
2. When and if a requirement for a parietal rule requiring students to live in university housing is needed, in the university's judgment, to carry out the responsibility of the Board under its bond covenants to assure maximum occupancy of the dormitories, the university shall first present a recommendation to the Board.
3. If the above parietal rule for any of the three Regent universities is to be invoked, the Board will publish notice before any enforcement of the parietal rule.
4. The Board encourages the directors of student housing and dining services to meet regularly to exchange information and to discuss policies, practices, and procedures and for the three universities to prepare appropriate information that will enable analysis trends in occupancy by class, sex, and age.
5. The Board covenants and agrees that, so long as any of the bonds (dormitory) shall remain outstanding, it will continuously operate and maintain the system; will adopt such rules and regulations for occupancy, including parietal rules, as will assure maximum occupancy of the buildings; and will fix, maintain, revise and adjust from time to time such rates, rents, fees, and charges for the use of said system as will provide revenues sufficient at all times to pay the reasonable

cost of operating and maintaining the system and to provide and maintain the "Dormitory Revenue Bond Sinking Fund" and the required reserve therefore; that it will not permit any free use of the system; and that it will collect and account for and apply the rents, profits, income, and revenues in accordance with (its bond resolutions).

D. University of Iowa Hospitals and Clinics

1. Rate schedules will be presented to the Board annually for approval prior to submission of final budgets.
2. The director of the department of Human Services, in respect to institutions under the director's control, the administrator of any of the divisions of the department, in respect to the institutions under the administrator's control, the director of the Iowa Department of Corrections, in respect to the institutions under the department's control, and the Board of Regents in respect to the Iowa Braille and Sight Saving School and the Iowa School for the Deaf may send any inmate, student, or patient of an institution, or any person committed or applying for admission to an institution, to the hospital of the medical college of the state university for treatment and care as provided in this chapter, without securing the order of court required in other cases. The Department of Human Services, the Iowa Department of Corrections, and the Board of Regents, shall respectively pay the traveling expenses of any patient thus committed, and when necessary the traveling expenses of an attendant for such patient, out of funds appropriated for the use of the institution from which the patient is sent. (Iowa Code § 255.28)

7.05 Purchasing

The Regents affirm that the best interests of the state of Iowa and the Regent institutions are served through implementation of a fully competitive purchasing system.

A. Authority

1. The Board of Regents is authorized by statute to contract for goods, services, and capital improvements. (Iowa Code §§ 18.3, 262) Capital improvements are addressed in Chapter 9.
2. The Board delegates authority to approve agreements and contracts for all goods and services purchased by the institution, except for capital improvements, fire protection, legal services, and engineers. (681 IAC 8.2(3))
3. Remedies for breach of contract shall be in accordance with Iowa Code § 554.

B. Organization and Responsibilities

1. The Board of Regents shall establish policies and maintain oversight of all procurement functions. The Board Office and institutions shall meet regularly to insure coordination of purchasing policies and procedures.
2. Goods and services are purchased by the chief business officer of each institution, acting through the institutional purchasing director, on the basis of competitive procedures. Such purchases need not be reported to or approved by the Board of Regents, provided that the chief business officer has determined

that there is no unusual circumstance which requires the special attention of the Board, and provided the purchase does not involve a lease which must be approved or reported.

Policies related to capital projects, including bidding, bid security, selection of architects/engineers for Regent institutions are in Chapter 9 of this Policy Manual.

3. Each Regent institution, through an institutional purchasing department, shall be responsible for purchasing goods and services. Institutions may delegate purchasing responsibility to departments. Low dollar procurement authority may also be delegated to institutional units through the use of credit cards or other appropriate procurement instruments, consistent with prudent, contemporary business and audit practices.
4. Each Regent institution shall establish a purchasing procedure for goods and services.
5. Each Regent institution shall maintain a purchasing policy and procedure document.
6. Each Regent institution shall be custodian of its purchasing records, including but not limited to purchase requisitions, requests for quotations, purchase orders, vendor correspondence and related documents and shall maintain such records in accordance with applicable law.
7. Iowa State University will process purchases of \$5,000 or more for the special schools.
8. Under the Iowa Code and the Iowa Administrative Code vendors may only charge a maximum interest of 1% per month in some situations when a claim remains unpaid after 60 days. This does not apply to claims against the state under Chapters 25 and 669 or claims paid with federal funds. (Iowa Code § 421.40 and 681 IAC 1-8.2(4))
9. The provisions of Iowa Code § 551, "Unfair Discrimination," shall not apply.
10. Regent institutions shall adhere to the professional ethics embodied in the code of the National Association of Educational Buyers.
11. Employees, officers, and members of the Board of Regents shall comply with the Iowa Code § 68B, "Conflicts of Interest of Public Officers and Employees" and Regents Conflict of Interest Policy (681 IAC 8.9).
 - a. Board of Regent institutions shall take appropriate steps to notify employees, vendors, and suppliers of Regent policy on conflict of interest.
 - b. This policy shall be incorporated in the operations manual of Regent institutions, along with any other provisions relating to the subject of an explanatory or more specific or restrictive character.

12. Definitions:

- a. Moveable equipment is defined as any moveable property valued at a unit acquisition cost of at least \$2,000 which is identifiable, is not a replacement part, and has a useful life of one year or more.

Fixed equipment is defined as permanently affixed/installed furniture, fixtures and equipment. Examples include but are not limited to: elevators, kitchen cabinets, laboratory casework, building directories, library shelving, drinking fountains, signage, plumbing fixtures, building mechanical systems, fixed electronic equipment, and fixed theater or classroom seating, as well as other fixtures and equipment installed with the intent of permanent use in that location. Fixed equipment, which is part of a capital project, is exempt from the requirements of the following subsections.

- b. Equipment purchases are subject to the following review procedures prior to the issuance of a purchase order or any other purchase commitment by the institution.
 - 1) Equipment with a unit cost of less than \$250,000 or a total purchase cost less than \$500,000, will be purchased by the chief business officer of each institution, acting through the institutional purchasing agent, as outlined in Section B of this Policy Manual.
 - 2) Equipment with a unit cost greater than \$250,000 or a total purchase cost of \$500,000 to \$1,000,000 will be submitted to the Board Office for approval. The Executive Director will notify the Board of such actions. At the discretion of the Executive Director, the equipment purchase may be submitted to the Board for approval.
 - 3) Equipment costing more than \$1,000,000 will be submitted to the Board for approval.
- c. The Executive Director may approve emergency purchases which exceed \$1,000,000 to be followed by Board ratification. Emergency purchases are defined in 681 IAC 8.9(4).
- d. Any request submitted to the Board Office for approval pursuant to sections 2(b). and 2(c) of this policy will include the following information regarding the equipment to be purchased.
 - 1) Description of the equipment.
 - 2) Justification of the need for the equipment.
 - 3) Any known alternatives to the equipment proposed.
 - 4) Estimated cost and source of funding.

C. Qualified Vendors of Goods and Services

1. Each institutional purchasing department shall maintain a master list of prospective suppliers. This list is a resource to be used at the discretion of the Purchasing director.
2. Any person, agency, or firm wishing to supply goods or services in a category may request, in writing, that its name be added to the institutional master list. The name is added to the institutional master list if, in the professional judgment of the purchasing director, the addition would aid in fostering a competitive situation. The purchasing director may require the requesting party to furnish information on qualifications to supply the item(s) indicated and financial responsibility prior to determining whether to add a vendor's name to the institution's master list.
3. Third party bid subscription services, who themselves do not supply goods or services utilized by Regent institutions, are not approved vendors. The institutions need not add these bid services to their institutional master list of suppliers, nor provide electronic access for downloading copies of bids, if access is reserved for approved vendors. Third party bid subscription services and non-approved vendors may request copies of bids under public records statutes. Institutions providing copies may charge a reasonable fee to cover the costs including, but not limited to, copying, labor, and postage. The opportunity to receive copies may be suspended should reimbursement of such costs not be made promptly. (Iowa Code §§ 22.3 – 22.4)
4. Nonresponsive and Nonresponsible Vendors. Once a supplier is added to the master list, the name shall not be removed from the list by an institution except for good and sufficient reasons. Such reasons shall include, but not be limited to, the following:
 - a. Delivery of goods and services that do not comply with specifications;
 - b. Failure to deliver within the specified time;
 - c. Refusal to deliver after submitting a quotation, bid, or proposal and after receiving an order;
 - d. Withdrawal of quotations, bids, or proposals prior to the placing of an order;
 - e. Failure to have qualified service available in the area to set up, check out, or instruct personnel in use of goods or failure to have parts to service goods, if a part of the agreement or warranty, written or implied;
 - f. Bankruptcy or other evidence of insolvency, or any other fact which might cause substantial doubt about the supplier's ability to continue as a responsible source and fulfill obligations;
 - g. Failure to comply with the Regent Equal Employment Opportunity Policy
 - h. Illegal purchasing practices;
 - i. Failure to respond to requests for prices;

- j. No longer in business;
 - k. No bids or orders issued in the last consecutive two-year period;
 - l. Failure to timely cure one or more noncompliant deliveries;
 - m. Removal from an institutional master list of another Regent institution.
5. Removal for cause is not to exceed three years, except upon specific authorization of the Board. Reinstatement requires application to the institution.

D. Vendor Appeal Procedures

1. The following ~~V~~ vendor appeal procedures are currently under revision and will be updated later.

Vendors

- a. A vendor who wishes to appeal removal from a Regent institution's qualified vendor list shall, initially, attempt to resolve the issue at the institutional level.
- b. If the vendor is dissatisfied with the institution's response, the vendor may notify the executive director in writing of the vendor's dissatisfaction and request Board Office assistance.
- c. Complainants are required to exhaust administrative remedies at the institutional level before making a written request for review to the executive director.

Board Office

- a. The executive director or designee may then take steps to assist the vendor and the institution in resolving the issue(s).
- b. If the issue(s) remain(s) unresolved, the executive director, at the request of the vendor, may docket the matter for review by the Board. Any complaints from vendors received by Board members shall be referred to the Board of Regents Office for investigation. Results of the investigation shall be sent to each Board member. The vendor's written request and supporting information shall also be sent to the institution involved and that institution shall file a written response with the Board Office supporting the institution's position.
- c. If the complaint is docketed, the executive director will prepare a recommendation for the Board to consider. If the complaint is docketed, the results of the investigation shall constitute the basis of the executive director's recommendation. If the complaint is not docketed, the results of the investigation shall be sent to each Board member.

A copy of the recommendation with notice of the date, time, and place of the meeting for which the matter has been docketed shall be sent to the vendor and the institution within a reasonable time. The recommendation and the Board action shall constitute a final report

Institutional

Copies of any written complaints received by the institution shall also be sent to the Board of Regents Office if there are interinstitutional implications.

E. Competitive Conditions

The following policies establish the competitive conditions under which Regent institutions shall operate.

1. Competitive Procedures. Each purchasing director or chief business officer - shall be responsible for establishing procedures to ensure that goods and services are competitively selected. Written bids are required for purchases, which are expected to exceed \$10,000. Competitive selection may incorporate multiple criteria of award, with awards made based on bidder whose proposal provides the best value as determined by the institution / purchasing department.

Negotiated, noncompetitive, and sole source purchases are recognized by the Regents as proper procurement procedures in appropriate circumstances where the public will be served. With appropriate institutional review, both competitive negotiation and noncompetitive negotiation processes may replace written competitive bidding when the purchase is anticipated to exceed \$10,000. Regent institutions shall justify the use of negotiated, noncompetitive, and sole source purchasing procedures upon request.

2. Bidding.

- a. Two types of bid solicitations, either formal or informal shall be used. The determination of which type of bid to be used shall be at the discretion of the institutional purchasing department, except as otherwise provided by law or administrative rule.

- 1) Formal Sealed Bid. Public notice is required for formal sealed bidding with a bid opening at a specified place on a scheduled day and at a scheduled time. Sealed bids will be publicly opened and read at the date and time specified in the written notice, unless otherwise indicated in the bid documents.
- 2) Informal Quotation. This is a request for prices or quotations that is mailed, faxed, communicated by telephone, emailed or otherwise delivered electronically by the institutional purchasing department with due date and time noted. There is no public reading of bids or quotations.

Institutional purchasing departments shall provide an opportunity for qualified prospective vendors to prepare timely bids or quotations.

- 3) Bids or quotations are tabulated in the purchasing department. A buyer either makes the award decision or consults with the requesting department for assistance in the decision, particularly when alternate products are offered by bidders.
 - 4) The names of the bidders and the amounts bid shall be supplied to any person upon request after the opening of the bids and as soon as the evaluation of the bids is completed and the award is made. Information will not be released in situations in which the release would provide a competitive advantage to any of the bidders.
 - 5) Nothing contained in these conditions shall be construed to mean that the lowest priced goods or inferior or substandard goods must be purchased. The Regent institutions are to purchase goods at the lowest cost consistent with the quality and service required.
 - 6) Should a buyer recommend an award to other than the low compliant and responsible bidder, a review of the recommendation shall be conducted by the institutional purchasing director or designee. It shall be the responsibility of the chief business officer or his/her designee to monitor the low bid rejections.
- b. Withdrawal of Bids. Bids may be withdrawn prior to the time set for receipt of bids. Bids shall not be withdrawn after that time, except as noted herein, without penalty.

Only in the event of an obvious and documented error where it would be a manifest injustice to require the vendor to perform, can a vendor withdraw a bid after the time set for receipt of bids. Such withdrawal of bids can be

done only upon the recommendation of the institution under procedures approved by the executive director.

c. Procedure for Withdrawal of Bids

- 1) A request to withdraw a bid shall be provided in writing to the institutional purchasing director or designee of the institution taking such bids.
- 2) A vendor is required to provide written documentation of any alleged error.
- 3) Each request for withdrawal will be considered on its own merit.
- 4) An investigation into the request of the vendor to withdraw a bid shall be carried out by the institutional purchasing director or designee.
- 5) A request for withdrawal of bids shall be made part of the vendor's record.
- 6) Any future request for bid withdrawal by the same vendor may be cause for removal from all Regent institutions' bid lists as an indication of a nonresponsible vendor .

d. Bid Security. Regent institutions have discretion to use bid security as an incentive to vendors to enter into contractual requirements.

e. Common Conditions for Use of Bid Security

- 1) Bid security shall be used in cases where the purchasing director determines there is a need to protect the interest of the institution. The need for bid security may, in part, be determined by the size of the proposed purchase, the item or items being bid, the competitive conditions surrounding the purchase, and the history of such purchases, including general reliability of vendors being requested to bid a particular purchase.
- 2) Occasionally, it may be appropriate to require bid security from prospective buyers.

Bid security, when utilized for purchasing, shall follow bid security requirements as set forth in the 681 IAC 8.6(2 & 4).

3. Sole Source Purchases. The Regents recognize that in some instances scientific, mechanical, and technical equipment or supplies or services may be required which are obtainable only from a sole source.
4. Emergency Purchases. The Regents recognize that in some emergency situations the taking of competitive bids or quotations is not feasible or possible. In such situations the requirements to do so may be waived. Emergency purchases are defined in 681 IAC 8.9(4).
5. Iowa Prison Industries. Regent institutions are encouraged to purchase products produced by Iowa Prison Industries unless the exceptions in the Iowa

Code apply. Iowa Code § 904.808 Nothing herein shall require Regent institutions to procure items from Iowa Prison Industries when such items are purchased from Targeted Small Businesses.

6. Iowa Products and Labor. All state agencies shall use those products produced within the state of Iowa, when they are of a quality reasonably suited to the purpose intended, and can be secured without additional cost over foreign products or products of other states. (Iowa Code §§ 73.1 and 18.6)
7. Targeted Small Business. It is the policy of the Board of Regents, State of Iowa to provide contract opportunities to targeted small businesses. All laws and rules pertaining to solicitations, bid evaluations, contract awards, and other procurement matters apply to targeted small businesses. (681 IAC 7.7, Regent Policy Manual § 5.05)
8. Professional Service Contracts.
 - a) “Professional Service Agreements are contracts for unique, technical and/or infrequent functions performed by an independent contractor qualified by education, experience and/or technical ability to provide services. In most cases these services are of a specific project nature, and are not a continuing, on-going responsibility of the institution. The services rendered are predominately intellectual in character even though the contractor may not be required to be licensed. Professional service agreements may be with partnerships, firms or corporations as well as with individuals.
 - b) Selection of a Provider. Professional service agreements for greater than \$25,000 must be selected through a competitive Request for Proposal (RFP) process unless the service is a sole source purchase that is appropriately documented. The \$25,000 threshold is not based on a one-time cost, but rather on a cumulative cost for on-going services under the terms of the project engagement. Professional service agreements, which are less than \$25,000 over the course of service, may be entered into without using the required competitive bidding process. Total payment to a professional services provider for services provided to any one university department may not exceed \$25,000 in a fiscal year, unless subject to competitive bidding or review and approval by the institutional purchasing department. Selection of a professional service provider shall be based on a variety of criteria including, but not limited to, demonstrated competence, knowledge, references and unique qualifications to perform the services, in addition to offering a fair and reasonable price that is consistent with current market conditions. Additional criteria may be used as appropriate to the circumstances.
 - c) Provider Accountability. Work requirements should clearly define all performance objectives, work expectations and project milestones, and hold the contractor accountable for successful completion of the resultant agreement. Requirements may include, but not be limited to, reports, training sessions, assessments, evaluations or other tangible services.
 - d) Provisions of Professional Service Agreements. The following terms and conditions must be addressed:

- 1) Performance Requirements. Performance requirements should be precise and written in such a way that it can easily be determined if and when the contractor has successfully fulfilled his/her obligations under the Agreement. Consequences for noncompliance such as non-payment and/or termination of the contract must also be defined. Scheduled due dates that specify milestone targets must be clearly identified and may include, but not be limited to, regular meetings scheduled to evaluate progress, identification of problem areas to determine actions to be taken to resolve any concerns, dates for formal written reports, required oral progress reports, and contract monitoring requirements.
- 2) Period of Performance. The resultant agreement must specify a start date and a completion date. While there may be exceptions, in most circumstances an end date to the agreement will be required. If an end date cannot be determined, a maximum time limit or maximum number of hours must be stated. Agreements with organizations are typically written for a specific term of successive years. In some instances, these agreements are annually renewable. Other provisions of an agreement may include a renewal clause beyond the original term of the agreement. Extended term agreements for individuals are discouraged.
- 3) Compensation and Payment. Compensation and payment terms include elements relating to cost and payment, such as maximum cost, (i.e. not to exceed cost), cost per deliverable, hourly rates for individuals providing services, number of hours required, allowable expenses and total authorized for expenses, payment and invoicing procedures. Compensation and payment terms should also include a statement as to whether the Regent institution will pay expenses incurred by the contractor and if so, which ones. Such expenses may include, but not be limited to, airfare (economy or coach class), lodging and subsistence necessary during periods of required travel; expenses incurred during travel for telephone, copying and postage, and private vehicle mileage. If other types of expenses are allowed, they must be clearly defined.
- 4) Performance Monitoring. The institution shall monitor the compliance with the terms and conditions of the agreement and applicable laws and regulations.
- 5) Provision of Liability. The provider may be required to show proof of insurance coverage and workers compensation in compliance with statutory requirements, in the form specified by the institution.

F. Specifications and Standards

1. Consistent with the Board's purchasing policies and procedures, institutions, when establishing standards and specifications and size of orders for goods and services, shall give due consideration to the ability of Iowa businesses to compete in bidding for those goods or services. The institutions shall continue to observe the goals of quality and economy in purchasing while meeting the needs of the institutions.
2. Specifications shall be prepared to assure that they do not restrict or preclude competition.

3. All requests for bids and proposals for goods and services and other needed articles to be purchased at public expense shall, whenever possible and practical, be made in general terms addressing functional specifications rather than brand, trade name, or other individual mark. Brand names and numbers, when used, are for reference purposes and indicate the character or quality desired. If brand names are used, the specifications shall contain an "or equal" or "or acceptable alternate" clause. The institutional purchasing director shall determine what is an acceptable alternate.
4. Recognition is also given to standardization and compatibility requirements which should be maintained for purposes of economies in replacement and maintenance.
5. Life cycle cost and energy efficiency shall be included in the criteria used by institutions under the Board of Regents in developing standards and specifications for purchasing energy consuming products. Life cycle cost means the expected total cost of ownership during the life of a product.
(Iowa Code § 18.3) Institutional procedures may identify the parameters for which energy consuming products are subject to this section.

"Preference shall be given to purchasing American-made products and purchases from American-based businesses if the life cycle costs are comparable to those products of foreign businesses which most adequately fulfill the institution's need." (Iowa Code § 18.3)

Iowa Code addresses purchasing paper and other recycled products. (Iowa Code § 18.18)

6. Standard terms and conditions, contained on requests for bids, quotations, and purchase orders, are intended to ensure that all the basic considerations relevant to the agreement are covered. For purposes of internal consistency all Regent institutions shall standardize general terms and conditions on purchase orders and bid solicitations. Such terms and conditions shall include, but not be limited to, exclusive agreements between parties, acceptance agreements between parties, acceptance conditions, guarantees and warranties, rights of inspection, termination, and listing of specific federal regulations.

G. Inspection and Testing

1. When practical and feasible, Regent institutions should test and evaluate all goods.
2. Product association testing reports, independent research laboratories or governmental testing reports may be utilized in evaluation criteria.
3. An inspection of goods shall be performed at time of receipt and/or use.

H. Cooperative Purchasing

1. Regent institutions are encouraged to exchange price information, vendor lists, bidder histories, and standard specifications and to implement interinstitutional

purchasing arrangements wherever practical and feasible so that maximum value can be obtained.

2. Regent institutions are encouraged to participate in interagency cooperative purchasing agreements. It is the Regents' intent that such cooperative purchasing continue to provide the lowest competitive price consistent with quality and service requirements of Regent institutions.
3. Regent institutions may purchase from state central purchasing contracts if it is in the best interest of the institution.
4. State agencies, by prior agreement, may purchase items through Regent institutions providing that such purchases shall not jeopardize educational discounts accruing to Regent institutions.
5. Regent institutions are encouraged to participate in interinstitutional cooperatives with other universities, health care organizations, and similar affinity groups to gain better prices and choices.

I. Reporting

An annual report on purchasing, including purchases from Regent employees, shall be submitted by each institution to the Board Office.

7.06 Risk Management

A. Statement of Risk Management Policy

1. The policy of the Board of Regents with respect to risks of property and liability loss is to:
 - a. Protect the Regent budgets and assets against large losses
 - b. Minimize and stabilize total risk management costs
 - c. Protect Regent employees against losses.
2. When risks of a catastrophic nature exist, they will be eliminated or reduced to the extent practical. Funding will be arranged when the potential loss is large. Funding will be obtained from:
 - a. The State General Fund,
 - b. Insurance, when it is available at a premium judged acceptable by the Board, or
 - c. Self-insurance, with appropriate reserves for incurred but unpaid claims.
3. The Board will not insure risks that do not present a significant loss potential unless the purchase is indicated by other factors, such as a need required by contract, bond or statute.
4. The Regent institutions shall work with the Board Office to develop appropriate protocols to implement Regent-wide risk management programs, in accordance with the Board's policies and procedures.

B. Liability Coverage

1. Iowa Code 669, also known as the "Iowa Tort Claims Act" provides for the defense and indemnification of state employees, volunteers and agents for monetary claims for property damage, personal injury or death, caused by the negligent or wrongful act or omission of the covered individuals while acting within the scope of their authorized responsibilities.
2. Under the provisions of an interagency 28E Agreement for Settlement of Small Tort Liability Claims, the three Regent universities are authorized to settle small tort liability claims, subject to the financial responsibility limits within the 28E Agreement.
3. Motor Vehicle Self-Insurance Program
The Board has established a self-insurance program for automobile liability, including expanded coverage for comprehensive and collision for vehicles owned or rented by the institutions.

C. Property Program

1. Auxiliary and Self-Supporting Property
The Regent institutions shall purchase property insurance for self-supporting operations in accordance with the Risk Management Policy. (See Section 7.06A.)
2. General Fund Supported Property
 - a. The Regent institutions shall purchase catastrophic property insurance with a single incident deductible of \$2 million for each university for general fund buildings and \$1 million for each special school.
 - b. A Regent institution may seek reimbursement of General Fund property losses over \$5,000 and under the insurance deductible, from the State of Iowa under the provisions of Iowa Code 29C.20 (see below). Money from the state contingent fund may be requested for repairing, rebuilding, or restoring state property injured, destroyed, or lost by fire, storm, theft, or unavoidable cause.
 - c. General Fund - State Property Loss Program
 - 1) Iowa Code 29C.20, Contingent Fund-Disaster Aid provides for a contingent fund for the purpose of paying for repair, rebuilding, or restoring of state property injured, destroyed, or lost by fire, storm, theft, or unavoidable cause.
 - 2) Losses in excess of \$5,000 shall be promptly reported to the Board Office under procedures established administratively. Such notification shall occur no later than the next regular working day following the loss.
 - 3) The institution should prepare immediately and submit to the Board Office within five working days of the loss, a preliminary loss report including cost estimates. Within 45 days of the loss, the institution should submit a

formal loss report including proposed plans and specifications for repairs or replacement of equipment, and buildings

- 4) The Executive Council of Iowa's Guidelines for Allocation of 29C.20 Funds prescribe the protocol for written notice and request for allocation of funds, required documentation for review by the State Auditor, the process for approval, payment, resolution of differences, and appeal.

3. Type of Coverage and Valuation Basis

- a. To the extent practical and when available at a reasonable cost, property shall be insured for:
 - 1) 'All risk' or perils of fire; windstorm; lightning; earthquake and flood and extended coverage including theft, vandalism, and malicious mischief.
 - 2) Replacement cost or on a 90 percent coinsurance basis.

B. Purchase of Insurance

Purchasing terms and bid requirements are provided in 681 IAC 8.4.

7.07 Compliance and Reporting

A. Financial Reports

1. The executive officer of each Regent institution shall, make a report to the Board, setting forth such observations and recommendations for appropriations for the ensuing budget period as in the executive officer's judgment are for the benefit of the institution. (Iowa Code 262.24)
2. The business officers for each institution shall report to the Board in such detail and form as it may prescribe:
 - a. The funds available each fiscal year from all sources for the erection, equipment, improvement, and repair of buildings.
 - b. Interest on endowment and other funds, tuition, state appropriations, laboratory and janitor fees, donations, rents, and income from all sources affecting the annual income of the support funds of said institution.
 - c. How the funds so received were expended, giving under separate heads the cost of instruction, administration, maintenance and equipment of departments, and the general expense of the institution.
 - d. The number of professors, instructors, fellows, and tutors, and the number of students enrolled during each year, stating separately the number of students attending short courses.
 - e. The amount of unexpended balances of departments remaining in the hands of the treasurer and the amounts undrawn from the state treasury on June 30 of each year.

- f. The report for the Iowa State University of Science and Technology shall also show the receipts of the experiment station from all sources for each fiscal year, and how the same were expended. (Iowa Code 262.25)
3. The Board shall, at the time provided by law, report to the Governor and the Legislature such facts, observations, and conclusions respecting each of such institutions as in the judgment of the Board should be considered by the Legislature. Such report shall contain an itemized account of the receipts and expenditures of the Board, and also the reports made to the Board by the executive officers of the several institutions or a summary thereof, and shall submit budgets for appropriations deemed necessary and proper to be made for the support of the several institutions and for the extraordinary and special expenditures for buildings, betterments, and other agreements. (Iowa Code § 262.26)

B. Gifts and Grants

1. The Board shall accept and administer trusts and may authorize nonprofit foundations acting solely for the support of institutions governed by the Board to accept and administer trusts deemed by the Board to be beneficial. Notwithstanding the provisions of Iowa Code § 633.63, the Board and such nonprofit foundations may act as trustee in such instances. (Iowa Code § 262.9(8))
2. The chief executive officer of each institution is authorized to accept and approve all gifts, grants, and service contracts except gifts of real estate. Gifts, grants, and service contracts are to be accepted only if supportive of the mission of the institution.
3. Each institution, on or before the 15th day of each month, shall send the report of gifts and grants that was received during the preceding month to the executive director for transmittal to the director of the Department of Management and the director of the Legislative Fiscal Bureau. The members of the Board of Regents shall receive an annual report detailing amounts, sources, and purposes of these gifts and grants. The Board Office shall retain one copy of all reports for its files. The institution will make this report in the form currently used to comply with Iowa Code § 8.44.
4. Each university, on or before the 15th day of the month following the end of the quarter, shall send, electronically to the Board Office, the detail of gifts and grants for the quarter for transmittal to the designated individual of the Legislative Fiscal Bureau. The Board Office shall retain one copy of all reports for its files.

D. Policy on Competition with Private Enterprise

1. 681 IAC 9.4 implements Iowa Code § 23A, which restricts government entities from competing with private enterprise, unless specifically authorized by statute, rule, ordinance, or regulation.
2. The Board has adopted a policy that Regent institutions shall not engage in competition with private enterprise unless the activity will assist in the education, research, extension, or service mission of the institutions.

3. To fulfill their missions effectively, institutions under the control of the Board occasionally provide goods and services which enhance, promote, or support the instructional, research, public service, and other functions to meet the needs of students, faculty, staff, patients, visitors, and members of the public participating in institutional events.
4. Each institution has established written policies regarding competition with private enterprise. These policies ensure that:
 - a. Activities provided by the institutions are consistent with Board policy.
 - b. Processes are identified to handle inquiries about activities carried out by the institution.
 - c. There is a means for community businesses to interact with the institutions including discussion of complaints.
5. Annually, a report will be provided to the Board of institutional activities which may compete with private enterprises, including any formal complaints related to competition with private enterprise, during the past calendar year.

E. Traffic and Parking Regulations

1. Iowa Code § 262.68 authorizes the Board to establish speed limits for all vehicles on the institutional roads and streets.
2. Iowa Code § 262.69 authorizes the Board to make rules for the policing, control, and regulation of traffic and parking of vehicles and bicycles on the property of any institution under its control.
3. All traffic and parking regulations shall be subject to Board approval prior to enforcement. Changes in existing regulations, general or specific, shall be brought to the Board annually for approval.
4. If any change in traffic and parking regulations include an increase in monetary sanctions, notification of students is to be consistent with §8.01 of this Policy Manual.
5. General traffic and parking regulations for each university shall be filed in accordance with Chapter 17A, Iowa Administrative Procedure Act. (Regulations are in 681 IAC 1-4.)

F. Records Management and Examination of Public Records

1. Records Management
 - a. Iowa Code § 304.17 requires the Board of Regents to adopt rules for their employees, agencies, and institutions for records management. The Board's rules are in 681 IAC 10.
2. Examination of Public Records (Iowa Code § 22)

The following language excerpts and paraphrases key statutory provisions applying to the Board and Regent institutions:

- a. "Public records" include all records, documents, tape or other information, stored or preserved in any medium.

"Public records" also include all records relating to the investment of public funds including but not limited to investment policies, instructions, trading orders, or contracts, whether in the custody of the public body responsible for the public funds or a fiduciary or other third party.

- b. Every person shall have the right to examine and copy public records and to publish or otherwise disseminate public records or the information contained therein as provided by law.
- c. Such examination and copying shall be done under the supervision of the lawful custodian of the records or the custodian's authorized deputy. The rules adopted by the Board are in 681 IAC 17.
- d. Those public records which shall be kept confidential unless otherwise ordered by a court, by the lawful custodian of the records, or by another person duly authorized to release information are detailed in Iowa Code § 22.7.

G. Administrative Procedure Act

- 1. The Board of Regents operates in compliance with the Iowa Administrative Procedure Act, pursuant to Iowa Code § 17A.
- 2. Each Regent institution establishes institutional procedures to administer Iowa Code § 17A, subject to Board approval as necessary.
- 3. When a timely request for making an oral presentation in regard to a rule is presented to the Board as provided by Iowa Code § 17A.4, the executive director will set a time and place for the presentation. The time will be not less than 20 days after notice is published in the Iowa Administrative Bulletin. The notice will state whom the executive director has designated to conduct the presentation, the subject matter, and the location.
 - a. In addition to the rules adopted by the Board in 681 IAC 19, the person in charge of a public hearing may, in his/her discretion, announce and invoke any or all of the following rules for orderly conduct and the proper decorum:
 - 1) Request that those present sign an attendance roll giving their names and addresses and representative status, if any;
 - 2) Request that those requesting to make oral presentations, including those entitled to make oral presentations, sign a roster, giving their names and addresses and representative status, if any;
 - 3) Permit oral presentations from anyone present or by a spokesperson for those present, including those not otherwise entitled to make an oral presentation;

- 4) Limit individual oral presentations to a fixed time;
- 5) Fix the time for the entire public hearing;
- 6) Establish and amend the agenda and the order of oral presentations;
- 7) Cause unruly or disorderly persons to be ejected;
- 8) Make and enforce other reasonable regulations for the good order and the proper decorum for the conduct of the public hearing.

G. Fire Protection Contracts

4. The Board of Regents shall have power to enter into contracts with the governing body of any city, town, or other municipal corporation for the protection from fire of any property under the control of the Board, located in any such municipal corporation or in territory contiguous thereto, upon such terms as may be agreed upon. (Iowa Code § 262.33)
5. New contracts or renewal of contracts shall be brought to the Board for approval. Annual payments as specified in a multi-year contract previously approved by the Board shall be made by the institution involved without further Board approval.

H. Matters for the State Executive Council

Items to be submitted to the State Executive Council shall be submitted through the Executive Director.

- a. Subsequent to Board approval for any transactions requiring Executive Council approval, institutions are to submit a letter to the Board Office, under institutional head signature, requesting that the transaction be submitted to the Executive Council for approval. The letter should include the following information:
 - 1) Information on Board approval of the transaction with date of approval, a short description, and the approved purchase or sale price;
 - 2) The legal description for the transaction (include as an attachment to the letter if the description is lengthy);
 - 3) A general description of the transaction as presented to the Board in the docket memorandum, including a map of the property (if used for the docket item);
 - 4) Justification for the transaction, source of funds (for property purchases), and the planned use of the proceeds (for property sales); and
 - 5) Any additional information beyond that presented to the Board that may be needed for Executive Council consideration.
 - 6) Requests will be reviewed in the Board Office. Upon satisfactory submission of all requested data, the Executive Director will forward the

institutional request to the Executive Council for its consideration (along with the Attorney General's Office review of the transaction).

- b. The institution is responsible for arrangements when institutional officials are to attend an Executive Council meeting to discuss the transaction. The institution should notify the Board Office of these arrangements.

I. Conflict of Interest - Sales and Purchases and Prohibited Interest in Public Contracts (Iowa Code § 68B)

1. 681 IAC 8.9 details the Board's policy on conflict of interest in public contracts and identifies specific conditions for exceptions to those policies.
2. When requesting Board action on potential conflict of interest vendors, the Regent institutions shall submit, in addition to the information required by 681 IAC 8.9(3), that the institution has adequate internal controls in place to ensure that the individual is so precluded from decisions.
3. Employees, officers, and members of the Board of Regents also shall comply with the Iowa Code § 68B, "Conflicts of Interest of Public Officers and Employees" and Chapter 4 of the Regent Policy Manual.

J. Banking Activity

1. The Board shall collect the highest rate of interest, consistent with safety, obtainable on daily balances in the hands of the treasurer of each institution. (Code 262.9[10])
2. Demand deposit accounts and other similar accounts can only be established at banks approved pursuant to I.C. 12C and previously approved by the Board. Proposed changes in the banking relationships shall be ~~reviewed by the Banking Committee and~~ approved by the Board. (I.C. §12C.2)
3. A deposit of public funds in a depository pursuant to this chapter shall be secured as follows (I.C. §12C.1.3):
 - a. If a depository is a credit union, then public deposits in the credit union shall be secured pursuant to sections 12C.16 through 12C.19 and sections 12C.23 and 12C.24.
 - b. If a depository is a bank, public deposits in the bank shall be secured pursuant to sections 12C.23A and 12C.24.

7.08 Audit Activity

A. Audits

1. State Audits

The auditor of state shall annually make a complete audit of the books and accounts of every department of the state, a quarterly audit of the educational institutions, and audit testing of the Board's investments. (Iowa Code § 11.2)

2. Each department and institution of the state shall keep its records and accounts in such form and by such methods as to be able to exhibit in its reports the

matters required by the auditor of state, unless otherwise specifically prescribed by law. Each department and institution of the state shall keep its records and accounts in a current condition. The failure of the head of any department of the state to comply with this provision shall be grounds for their suspension from office. (Iowa Code § 11.5)

3. The Board Office will receive from the State Auditor's Office all draft State audit comments and recommendations for review.
4. Proposed institutional responses to State audit comments and recommendations will be developed by the institutions in consultation with the Board Office. The proposed responses must be approved by the Executive Director before they are submitted to the State Auditor's Office.
5. A copy of all state audits related to a Regent institution shall be, upon completion, sent to the Board Office for docketing ~~on the Banking Committee agenda.~~

B. Internal Audits

1. Purpose. The Board of Regents authorizes the University presidents to hire internal audit staff to provide independent appraisal services to the Board and institutional administrators. Internal auditing is a managerial control which functions by measuring and evaluating the effectiveness of other financial and managerial controls.
2. Objective and Scope. The objective of internal auditing is to assist the Board of Regents and institutional administrators in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The attainment of this objective involves such activities as:
 - a. Reviewing and appraising the soundness, adequacy and application of accounting, administrative and other operating controls, and promoting effective control at reasonable cost.
 - b. Ascertaining the extent of compliance with established policies, plans and procedures.
 - c. Ascertaining the extent to which assets are accounted for and safeguarded from losses of all kinds.
 - d. Ascertaining the reliability of management data developed within the organization.
 - e. Conducting special examinations and reviews ~~at the request of the Banking Committee, the Board of Regents or institutional heads.~~
 - f. Evaluating the economy and efficiency with which resources are employed and recommending improvements in operations, including reviews of administrative and support services with the objective of reducing operating costs.

3. Authority. The internal audit staffs are authorized by the Board of Regents to conduct a comprehensive program of internal auditing. To accomplish their objectives, the internal auditors are authorized to have unrestricted access to university functions, records, properties and personnel. The three universities have internal auditors to perform these functions. The State University of Iowa internal auditor is responsible for internal audits at the Iowa School for the Deaf. The Iowa State University internal auditor is responsible for internal audits at the Iowa Braille and Sight Saving School.
4. Reporting. The internal audit staffs report to the University presidents, and where appropriate, to the Superintendents of the special schools, for all auditing activities except those related to the offices of President and Superintendent. Audit activities related to the offices of President and Superintendent are to be reported directly to the President of the Board of Regents.
5. Responsibility. Each year, the internal audit staffs will develop and execute a comprehensive audit plan to be conducted in accordance with applicable professional auditing standards. A comprehensive report on the internal audit function will be made to the Board annually~~through the Banking Committee in July of each year.~~
6. The report will include the annual audit plan, review of all previous fiscal year audits completed and in progress, including any follow-up reviews and any audits which were scheduled but not done, and a list of all audits completed within the last three fiscal years.
7. A copy of each internal audit report and follow-up review, upon its completion, will be sent to the Board Office for docketing ~~on the Banking Committee agenda.~~
8. Any activity which is illegal or the legality of which is questioned by the audit staff (e.g. conflict of interest, embezzlement or theft) shall be reported to the appropriate institutional administrator or President of the Board (consistent with Section 4 of this Policy Manual) immediately upon discovery by audit staff. Other appropriated authorities should also be notified.
9. In the performance of their functions, internal audit staff will have no direct responsibility for, nor authority over, any of the activities and operations reviewed.

C. Hospital Audits

1. To arrive at proper basis for the payment of said bills for treatment, care, and maintenance (of indigent patients), the Board of Regents shall cause to be made annually an audit of the accounts of the University Hospital and determine the average cost per day for the care and maintenance of each patient therein, exclusive of the salaries of the members of the faculty of said university College of Medicine, and said bills shall be allowed at such average cost. All accounts shall be so adjusted and paid as to reimburse the funds of the hospital used for the purposes of this chapter. (Iowa Code § 255.25)
2. The University of Iowa Hospitals and Clinics will arrange for an annual external audit of hospital accounts and shall submit, upon completion, a copy of the audit to be docketed ~~on the Banking Committee agenda.~~

D. External Audits

A copy of all external audits conducted on any component of a Regent institution (such as bonded enterprises or Graduate Study Centers) shall be, upon completion, sent to the Board Office for docketing on the Banking Committee agenda.

7.09 Printing

A. Authority

1. The Board of Regents is authorized by statute to obtain printing services. (HF 534, 2003 session, and I.C. 262)
2. The Board delegates authority to obtain printing services to its office and institutions.

B. Organization and Responsibilities

1. The Board of Regents shall establish policies and maintain oversight of printing.
2. Each Regent institution, through an institutional central printing operation, shall:
 - a. Be responsible for obtaining reasonable and cost effective printing services and equipment.
 - b. Establish written policies and procedures for obtaining printing services and equipment that include usage and maintenance records, cost and volume information, purchase or lease data, and documentation for consideration of minimizing operational costs.
 - c. Be custodian of the central printing records and shall maintain such records in accordance with applicable law.

C. Definition

Printing is defined as either the reproduction of an image from a surface generally made by a contact impression that causes a transfer of ink or the reproduction of an impression/document by either a photographic process or electronic means. Printing services are not considered professional services.

D. Procurement of Printing Services

1. Printing services are unique commodity items. Each project is different and specifically produced for a given customer according to unique specifications.
2. While not all printing services are available at an institution's central printing operation, it is important to have knowledgeable individuals involved in the printing procurement process.
3. Procurement of all printing services and related printing equipment must first be routed through the central institutional printing operation for evaluation and approval. Institutions may grant exceptions to this policy for equipment to support individual or incidental printing.

4. Upon granting this approval, the central institutional printing operation shall determine whether the work is performed in-house or contracted through external providers. When contracting through external providers, the central institutional printing operation's procurement of the printing services and equipment is to follow the normal institutional procurement processes and guidelines consistent with those defined in Section 7.05, Purchasing, of this Policy Manual.
5. When competitive bids are sought for printing services, the institutions are encouraged to request bids from the Iowa Department of Administrative Services and the Iowa Prison Industries.
6. Individual departments and colleges may utilize their own office copiers and printers for convenience purposes, but consideration should include total operating costs.

E. Cooperative Ventures

1. The Regent institutions are encouraged to participate in interagency cooperative printing agreements to provide the lowest competitive price consistent with quality and service requirements of the Regent institutions.
2. In lieu of obtaining bids for printing services and equipment, the institutions are authorized to obtain cost effective printing services and equipment from another Regent institution.
3. State agencies, by prior agreement, may obtain printing services through Regent institutions providing that such services shall not jeopardize operations of the Regent institutions.
4. Regent institutions are encouraged to participate in inter-institutional cooperatives with other universities, health care organizations, and similar affinity groups to gain better prices and choices.

F. Reporting

The Regent institutions are to collect measurements and comparative data for evaluation of institutional printing services and submit this information to the Board Office on an annual basis.